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ABSTRACT

Financial incentives are an important and vastly underutilized means of improving the rate at which two-year college students transfer to four-year institutions. The increased cost of tuition at a four-year institution can be a serious financial obstacle to the transfer student. One way to alleviate this might be to provide more financial aid to students who transfer than to students who enroll directly in the four-year institution. Another method would be to offer better aid packages, involving more grants and fewer loans, to transfer students than to native students. An alternative approach would provide four-year institutions with financial incentives to recruit, enroll, and retain more two-year college transfer students. These additional funds could be channeled through enrollment-dependent funding formulas. Transfer students could be double-counted or assigned a larger cost figure. Greater weight could also be assigned to transfer students in formulas used to distribute the three federal campus-based programs: Supplemental Education Opportunity Grants, College Work Study, and Perkins Loans. Providing financial incentives to community colleges to increase the numbers of students they transfer should be feasible as well. All financial incentives need to take into account the nontraditional character of a large part of the community college population, which consists of part-time, older, working students with generally lower incomes than students in four-year schools. At present, in all institutions, 48% of traditional college students receive aid, as compared to only 33% of nontraditional students. Effective financing of transfer, whether through student or institutional aid, will require further attention to financing the entire nontraditional student population. (JSP)

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Discussions of how to improve transfer between two- and four-year institutions tend to focus on programs and services that various colleges offer. These initiatives prepare students in community colleges to do baccalaureate-level work and improve the degree of cooperation between two- and four-year colleges. These are, of course, important efforts that need to be continued and strengthened if the transfer function is to be improved.

But more attention needs to be paid to a variety of financial mechanisms, which represent another important—and vastly under-utilized—means for improving the rate at which students transfer from two- to four-year institutions. If more attention is not paid to financial incentives, then other efforts to improve the transfer function will fall far short of their potential.

Several types of financing incentives could be used to improve transfer. One is to make more financial aid available through federal and state grant programs to students who transfer than to those who do not. Or financial incentives could be provided to four-year institutions to encourage them to admit and retain larger numbers of transfer students. It is also possible that financial incentives could be offered to two-year institutions to encourage them to increase the number of their students who transfer.

Whether in the form of aid to students or to institutions, all of these incentives need to take into account the typically nontraditional character of the community college population: part-time, older, working students with, on average, lower incomes than students in four-year schools.

Providing More Aid to Students Who Transfer

Probably the most obvious way to encourage transfer is to provide more financial aid through the federal Pell Grant or Stafford Loan programs to students who transfer than

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similarly situated students who enroll directly in a four-year institution, i.e., native students. For example, a four-year institution could establish a policy in which students who transferred from a two-year college would be eligible for $1,000 more in aid than junior-year students with identical financial need who had not transferred. This would help deal with the increased price of tuition that can be a financial obstacle to transfer. It could help motivate more community college students to consider transfer.

While this may be the most obvious way to encourage transfer, it is also probably the most controversial. Varying the amount of aid on the basis of a student's transfer status, especially if the transfer student's total student aid package exceeded their documented financial need, would set a potentially dangerous and divisive precedent of differentiating among students with similar amounts of need. Since level of need has been the customary basis on which differences in aid have been determined, considerable effort would be required to establish a firm alternative acceptable basis. (There is *some* precedent for financing students based on their educational goals. For example in the late 1950s and 1960s, the United States made additional scholarships and fellowships available to students who pursued mathematics and science programs as means to remain competitive with the former Soviet Union.)

A more feasible alternative might be to offer better aid packages, i.e., more grants and fewer loans—to transfer students than to other students. The amount of aid might be the same for students of equal financial need, but students transferring from a two-year institution would receive more grant aid than the students who did not.

Providing better aid packages could accomplish nearly the same purpose as adding to the aid awarded to transfer students, without engendering nearly the same degree of rancor. It is common practice for institutions to improve the quality of their aid package without increasing the amount of aid for students who they particularly wish to enroll.

Providing Institutional Incentives for Increasing Transfer

Another means for improving transfer between two- and four-year institutions is to provide four-year colleges and universities with financial incentives to recruit, enroll, and retain more students who transfer from two-year colleges. There are several reasons to believe that institutional incentives might generate greater success than aiding students directly, including the simple historical observation that institutions do respond to monetary incentives of various kinds.

One way to do this would be to provide additional funds to four-year institutions through state funding formulas. Most states use enrollments and the average cost of education as the critical factors in determining how much state funds each public institution receives. In addition, in a handful of states, funds are provided to independent institutions, either on the basis of number of students enrolled or, more often, the number of degrees granted.

What would happen if a "bonus" were provided through these enrollment-driven formulas for those students who had transferred from a two-year college? The bonus might be in the form of double-counting transfer students in arriving at an enrollment figure, or it could be accomplished by assigning a larger cost figure for students who had transferred than those who had not. For institutions that are struggling to maintain their state funding base in a period of limited resources, bonuses like this could prove to be a powerful incentive to increase the number of students who had transferred from a two-year college.

Another mechanism would be to give greater weight to transfer students in the formulas used to distribute the three federal campus-based programs: Supplemental Educational Opportunity Grants (SEOG), College Work Study, and Perkins Loans. In each of these three programs, federal funds are distributed to participating institutions on the basis of formulas that involve, to one degree or another, the number of students enrolled, the family contribution expected of these students, and the other resources available to these students. If there is a desire at the federal level to encourage greater transfer, it would be

possible, for example, to double the financial need of a student who had transferred from a two-year college in calculating a four-year institution's eligibility for funding from the federal campus-based programs. Or, as in the case of state funding formulas, transfer students might be weighted more heavily in the calculation of the enrollment component of the campus-based formulas.

Nor should these institutional incentives be limited to four-year institutions who accept transfer students. It should also be feasible to provide financial incentives to community colleges to increase the number or proportion of their students who transfer, either through state-based funding formulas or in the application process for federal campus-based aid.

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The suggestions made here are not intended to divert attention from the very necessary work of raising the degree of cooperation between two- and four-year colleges in the effort to improve transfer. But the task is large, and if financial incentives represent an effective additional mechanism for increasing transfer, it would be unfortunate if their potential were not fully explored and utilized.

Arthur M. Hauptman is a consultant in higher education finance. These comments are based on a presentation made at the Invitational Leadership Seminar for Urban Institutions on Transfer Education on October 3 and 4, 1991, in Washington, DC. This meeting was sponsored by the National Center for Academic Achievement and Transfer of the American Council on Education and the National Association of State Universities and Land-Grant Colleges.

Some Background...

Adequacy of financial aid to students in community colleges who seek to move to baccalaureate institutions is part of the larger question of funding nontraditional students generally.

In September 1991, the American Council on Education sponsored a Seminar on Financing Nontraditional Students at the Brookings Institution in Washington, DC. Twenty-six participants discussed various definitions of nontraditional students, short- and long-range suggestions to improve the funding of nontraditional students, and concerns that would have to be addressed to strengthen financial support for these students through federal programs.

Nontraditional students (either part time, over 22 years of age, taking clock hours versus credit, independent, neither high school graduates nor GED recipients) are a large proportion of current higher education enrollment. According to Ross and Hampton (1992), nontraditional students make up 11.3 million of the 16.8 million students enrolled in 1987—or 66 percent. In community colleges, nontraditional students are a staggering 84 percent of enrollment—6.3 million students of a total of 7.5 million.

Nontraditional students receive less aid than traditional students, whether enrolled in two- or four-year, not-for-profit institutions. For all institutions, 48 percent of traditional students receive aid and 33 percent of nontraditional students receive aid. For two-year institutions, 31 percent of traditional students receive aid, 18 percent of nontraditional students receive aid.

Seminar participants identified the following considerations as important for future deliberation about financing nontraditional students:

- Continue the distinction between traditional and nontraditional students while further clarifying what is meant by "nontraditional" in the awarding of aid;

- Alternatively, end the distinction between nontraditional and traditional students and build an aid system focused on encouraging human potential—whatever the use of the higher education system;
- Continue current Title IV programs with some structural modifications;
- Continue to remove obstacles in other federal programs that finance nontraditional students;
- Expand efforts to coordinate Title IV and other federal programs;
- Establish new financing initiatives such as a College Line of Credit or expansion of the Earned Income Tax Credit to help pay for tuition expenses;
- Broaden the discussion of nontraditional students to include, at the federal level, participants from the Departments of Labor, Commerce, Defense, and Health and Human Services, as well as representatives of the Department of Education and the higher education community;
- Share the responsibility for aid to nontraditional students among levels of government (state and local) and the private sector.

Effective financing of transfer through student aid or institutional aid will, in the long run, call for further attention to financing the entire nontraditional student population. Significant rethinking and restructuring of subsidy for higher education will be needed if the nontraditional student is to be adequately supported—whether attending one institution or several.

Reference:

Ross, L. and Hampton, D. "How the Nontraditional Student Finances Her Education." In Eaton, J.S. (ed.). Financing Nontraditional Students. Washington, DC: American Council on Education, 1992.

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